

# **OAKLAND UNIFIED SCHOOL DISTRICT**

Audit Report

## **EMERGENCY PROCEDURES, EARTHQUAKE PROCEDURES, AND DISASTERS PROGRAM**

Chapter 1659, Statutes of 1984

*July 1, 1999, through June 30, 2003*



**STEVE WESTLY**  
California State Controller

April 2005



**STEVE WESTLY**  
**California State Controller**

April 22, 2005

Randolph E. Ward, Ed.D.  
State Administrator  
Oakland Unified School District  
1025 2<sup>nd</sup> Avenue  
Oakland, CA 94606-2212

Dear Dr. Ward:

The State Controller's Office audited the claims filed by Oakland Unified School District for costs of the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 1999, through June 30, 2003.

The district claimed \$825,013 for the mandated program. Our audit disclosed that \$420,427 is allowable and \$404,586 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs and costs not reimbursable under the mandated program. The State paid the district \$312,935. Allowable costs claimed exceed the amount paid by \$107,492.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original Signed By:*

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/ams

cc: (see page 2)

cc: Gloria Gamblin

Deputy Superintendent of Business Services  
Oakland Unified School District

George Elias

Chief Financial Officer  
Oakland Unified School District

Christine Mallery

Fiscal Officer  
Oakland Unified School District

Joe Rombold

Director of Quality Compliance and Government Relations  
School Innovations and Advocacy

Sheila Jordan, County Superintendent of Schools

Alameda County Office of Education

Scott Hannan, Director

School Fiscal Services Division  
California Department of Education

Arlene Matsuura, Education Fiscal Services Consultant

School Fiscal Services Division  
California Department of Education

Gerry Shelton, Director

Fiscal and Administrative Services Division  
California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit  
Department of Finance

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>1</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Officials.....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Schedule 1—Summary of Program Costs.....</b>	<b>4</b>
<b>Findings and Recommendations .....</b>	<b>6</b>

# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by the Oakland Unified School District for costs of the legislatively mandated Emergency Procedures, Earthquake Procedures, and Disasters Program (Chapter 1659, Statutes of 1984) for the period of July 1, 1999, through June 30, 2003. The last day of fieldwork was December 14, 2004.

The district claimed \$825,013 for the mandated program. Our audit disclosed that \$420,427 is allowable and \$404,586 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs and costs not reimbursable under the mandated program. The State paid the district \$312,935. Allowable costs claimed exceed the amount paid by \$107,492.

## Background

Chapter 1659, Statutes of 1984, added and amended *Education Code* Sections 35295, 35296, 35297, 40041.5, and 40042 by requiring the governing body of each school district and the county superintendent of schools of each county to establish an earthquake emergency procedure in each school building under its jurisdiction. In addition, the legislation requires the governing board of a school district to grant the use of school buildings, grounds, and equipment to public agencies for mass care and welfare shelters during disasters or other emergencies affecting public health and welfare. This law further eliminated school districts' authority to recover direct costs from public agencies that use school facilities during local emergencies.

On July 23, 1987, the Commission on State Mandates (COSM) determined that Chapter 1659, Statutes of 1984, imposed a state mandate reimbursable under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on March 23, 1989, and last amended it on February 28, 1991. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Emergency Procedures, Earthquake Procedures, and Disasters Program for the period of July 1, 1999, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Oakland Unified School District claimed \$825,013 for Emergency Procedures, Earthquake Procedures, and Disasters Program costs. Our audit disclosed that \$420,427 is allowable and \$404,586 is unallowable.

For fiscal year (FY) 1999-2000, the State made no payment to the district. Our audit disclosed that \$9,263 is allowable, which the State will pay contingent upon available appropriations.

For FY 2000-01, the State paid the district \$49,184. Our audit disclosed that \$208,599 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$159,415, contingent upon available appropriations.

For FY 2001-02, the State paid the district \$263,751. Our audit disclosed that \$107,275 is allowable. The district should return \$156,476 to the State.

For FY 2002-03, the State made no payment to the district. Our audit disclosed that \$95,290 is allowable, which the State will pay contingent upon available appropriations.

## Views of Responsible Officials

We issued a draft audit report on February 18, 2005. On March 16, 2005, we contacted Gloria Gamblin, Deputy Superintendent of Business Services, and George Elias, Chief Financial Officer, by e-mail asking whether the district would respond to the draft audit report. On April 20, 2005, we also left telephone messages for both individuals. The district did not respond to our e-mail or telephone messages, and the district did not submit a response to the draft audit report.

**Restricted Use**

This report is solely for the information and use of the Oakland Unified School District, the Alameda County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

# Schedule 1— Summary of Program Costs July 1, 1999, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 7,326	\$ 7,326	\$ —	
Materials and supplies	—	—	—	
Contract services	48,008	2,623	(45,385)	Finding 2
Total direct costs	55,334	9,949	(45,385)	
Indirect costs	358	358	—	
Total direct and indirect costs	55,692	10,307	(45,385)	
Less offsetting savings/reimbursements	—	(1,044)	(1,044)	Finding 3
Total program costs	<u>\$ 55,692</u>	9,263	<u>\$ (46,429)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,263</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 238,998	\$ 155,187	\$ (83,811)	Finding 1
Materials and supplies	16	16	—	
Contract services	99,281	76,061	(23,220)	Finding 2
Total direct costs	338,295	231,264	(107,031)	
Indirect costs	16,035	7,356	(8,679)	Findings 1, 2, 4
Total direct and indirect costs	354,330	238,620	(115,710)	
Less offsetting savings/reimbursements	—	(30,021)	(30,021)	Finding 3
Total program costs	<u>\$ 354,330</u>	208,599	<u>\$ (145,731)</u>	
Less amount paid by the State		(49,184)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 159,415</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 151,106	\$ 78,104	\$ (73,002)	Finding 1
Materials and supplies	12,224	12,224	—	
Contract services	85,117	27,017	(58,100)	Finding 2
Total direct costs	248,447	117,345	(131,102)	
Indirect costs	15,304	4,814	(10,490)	Findings 1, 2, 4
Total direct and indirect costs	263,751	122,159	(141,592)	
Less offsetting savings/reimbursements	—	(14,884)	(14,884)	Finding 3
Total program costs	<u>\$ 263,751</u>	107,275	<u>\$ (156,476)</u>	
Less amount paid by the State		(263,751)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (156,476)</u>		



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 69,595	\$ 66,392	\$ (3,203)	Finding 1
Materials and supplies	—	—	—	
Contract services	73,354	23,674	(49,680)	Finding 2
Total direct costs	142,949	90,066	(52,883)	
Indirect costs	8,291	5,224	(3,067)	Findings 1, 2
Total direct and indirect costs	151,240	95,290	(55,950)	
Less offsetting savings/reimbursements	—	—	—	
Total program costs	<u>\$ 151,240</u>	95,290	<u>\$ (55,950)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 95,290</u>		
<u>Summary: July 1, 1999, through June 30, 2003</u>				
Salaries and benefits	\$ 467,025	\$ 307,009	\$ (160,016)	Finding 1
Materials and supplies	12,240	12,240	—	
Contract services	305,760	129,375	(176,385)	Finding 2
Total direct costs	785,025	448,624	(336,401)	
Indirect costs	39,988	17,752	(22,236)	Findings 1, 2, 3
Total direct and indirect costs	825,013	466,376	(358,637)	
Less offsetting savings/reimbursements	—	(45,949)	(45,949)	Finding 3
Total program costs	<u>\$ 825,013</u>	420,427	<u>\$ (404,586)</u>	
Less amount paid by the State		(312,935)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 107,492</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Unallowable salary, benefit, and related indirect costs**

The district claimed unallowable salary and benefit costs totaling \$160,016 for the audit period. The related indirect costs total \$8,656. The unallowable costs occurred because costs claimed were not supported with adequate source documentation.

The district claimed salary and benefit costs in two ways: by employee classification (i.e., counselor, custodian, teacher) and by individual employee. When claiming costs by employee classification, the district claimed multiple employees as one line item.

For the audit period, the district claimed \$258,062 of salary and benefit costs by employee classification. Of this amount, our audit disclosed unallowable costs totaling \$102,585. Costs claimed were based on declarations that indicated the number of employees and time spent on mandated activities. The unallowable costs occurred because some declarations were not supported by time logs or sign-in sheets.

For the audit period, the district claimed \$208,963 of salary and benefit costs by individual employee. Of this amount, our audit disclosed unallowable costs totaling \$57,431. For fiscal year (FY) 2000-01 and FY 2001-02, we selected a statistical dollar unit sample from total costs claimed by individual employee, using a 95% confidence level, a precision rate of +/-8%, and an expected error rate of 50%. We reviewed a statistical sample to project the sample results to the population. The unallowable costs occurred for various reasons: costs claimed were supported only by declarations; time logs were not completed contemporaneously; time logs did not show the date(s) employees performed mandated activities; time logs did not support the number of hours claimed; payroll records did not support employees claimed; the district claimed duplicate costs; or the district did not provide any supporting documentation.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Salary and benefit costs:				
Claimed by employee classification	\$ (67,299)	\$ (32,083)	\$ (3,203)	
Claimed by individual employee	(16,512)	(40,919)	—	
Total salary and benefit costs	(83,811)	(73,002)	(3,203)	
Related indirect costs	(3,973)	(4,497)	(186)	
Audit adjustment	<u>\$ (87,784)</u>	<u>\$ (77,499)</u>	<u>\$ (3,389)</u>	<u>\$ (168,672)</u>

*Parameters and Guidelines* states:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity

in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include . . . declarations. However, corroborating documents cannot be substituted for source documents.

In addition, *Parameters and Guidelines* states that, to claim salary and benefit costs, districts must “Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.”

### Recommendation

We recommend the district support salary and benefit costs claimed with actual time records that meet the requirements of *Parameters and Guidelines*.

## **FINDING 2— Unallowable contract services costs**

The district claimed unallowable contract services costs totaling \$176,385 for the audit period. The related indirect costs total \$7,561. Unallowable costs occurred because of inadequate supporting documentation and duplicate costs claimed.

The district claimed \$172,482 for contract services costs that were outside the scope of the mandated program. Supporting documentation did not show that these costs were incurred for mandate-related activities only (i.e., that the activities performed were for an earthquake emergency procedure system only). In addition, supporting documentation did not show evidence of payment for \$10,043 of these costs. Furthermore, the district claimed an additional \$1,260 of mandate-related costs that were not supported by evidence of payment and claimed \$2,643 of duplicate costs.

The following table summarizes the audit adjustment:

	Fiscal Year				
	1999-2000	2000-01	2001-02	2002-03	Total
Contract services costs:					
Not mandate-related	\$ (42,742)	\$ (23,220)	\$ (48,597)	\$ (47,880)	\$ (162,439)
Not mandate-related, no evidence of payment	—	—	(8,243)	(1,800)	(10,043)
Duplicate costs claimed	(2,643)	—	—	—	(2,643)
No evidence of payment	—	—	(1,260)	—	(1,260)
Total contract services costs	(45,385)	(23,220)	(58,100)	(49,680)	(176,385)
Related indirect costs	—	(1,101)	(3,579)	(2,881)	(7,561)
Audit adjustment	<u>\$ (45,385)</u>	<u>\$ (24,321)</u>	<u>\$ (61,679)</u>	<u>\$ (52,561)</u>	<u>\$ (183,946)</u>

*Parameters and Guidelines* states “. . . only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.” For this program, *Parameters and Guidelines* identifies mandated activities as those activities related to an earthquake emergency procedure system, and activities related to mass care and welfare shelters for earthquake and other disasters. The district claimed costs for earthquake emergency procedure system activities only.

### Recommendation

We recommend the district claim only contract services costs related to the mandated program. We also recommend the district ensure that contract services costs claimed are supported by source documents that show the validity of such costs and their relationship to the reimbursable activities.

### **FINDING 3— Unreported offsetting reimbursements**

The district did not report \$45,949 in offsetting reimbursements applicable to the mandate program. Offsetting reimbursements occurred because the district was partially reimbursed from federal and other state programs for materials and supplies costs and for contract services costs claimed as direct costs.

The district claimed allowable materials and supplies costs and contract services costs totaling \$117,941 for FY 1999-2000, FY 2000-01, and FY 2001-02. The district claimed these costs as direct costs on the mandated cost claims. However, the district also included \$117,865 of these costs in its indirect cost pools for these fiscal years. Therefore, other state and federal programs funded a portion of the mandated program’s direct costs through the district’s indirect cost rates.

The district calculates its indirect cost rates based on expenditures of the general, cafeteria, adult education, and child development funds. We reviewed the district’s revenue reports for these funds to determine the percentage of federal and other state revenues versus total revenues for FY 1999-2000, FY 2000-01, and FY 2001-02. The following table shows the offsetting reimbursement percentages we calculated, and the audit adjustment calculation:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Allowable contract services	\$ 2,623	\$ 76,061	\$ 27,017	
Allowable materials and supplies	—	—	12,164	
Subtotal	2,623	76,061	39,181	
Offsetting reimbursement percentage	× (39.82)%	× (39.47)%	× (37.99)%	
Audit adjustment	<u>\$ (1,044)</u>	<u>\$ (30,021)</u>	<u>\$ (14,884)</u>	<u>\$ (45,949)</u>

*Parameters and Guidelines* states that reimbursement for this mandate from any source, including but not limited to, service fees collected,

federal funds, and other state funds, shall be identified and deducted from the claim.

#### Recommendation

We recommend the district identify all mandate-related direct costs that are also included in the district's indirect cost pool. The district should report offsetting reimbursements for the portion of these costs that is funded by federal and other state funds.

#### **FINDING 4— Unallowable indirect costs**

The district claimed unallowable indirect costs totaling \$6,019 for the audit period. Unallowable indirect costs occurred because the district erroneously applied its indirect cost rate to allowable materials and supplies costs and contract services costs claimed.

As stated in Finding 3, the district claimed allowable materials and supplies costs and contract services costs totaling \$117,941 for FY 1999-2000, FY 2000-01, and FY 2001-02. The district claimed these costs as direct costs on the mandated cost claims. However, the district also included \$117,865 of these costs in its indirect cost pools for these fiscal years. Therefore, the district cannot apply its indirect cost rates to these costs.

The unallowable indirect costs for FY 1999-2000 are immaterial. The following table shows the audit adjustment for FY 2000-01 and FY 2001-02:

	Fiscal Year		Total
	2000-01	2001-02	
Allowable contract services	\$ 76,061	\$ 27,017	
Allowable materials and supplies	—	12,164	
Subtotal	76,061	39,181	
Unallowable indirect cost percentage	× (4.74)%	× (6.16)%	
Audit adjustment	<u>\$ (3,605)</u>	<u>\$ (2,414)</u>	<u>\$ (6,019)</u>

*Parameters and Guidelines* states that only actual costs are eligible for reimbursement. Actual costs are those costs actually incurred to implement the mandated activities.

#### Recommendation

We recommend the district identify all mandate-related direct costs that are also included in the district's indirect cost pool. The district should ensure that it does not apply its indirect cost rate to any costs included in the indirect cost pool.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874**

**<http://www.sco.ca.gov>**